



**AUDIT COMMITTEE**

**24<sup>TH</sup> JULY 2018**

**AGENDA ITEM (11)**

**STATEMENT OF ACCOUNTS**

<b>Accountable Members</b>	Audit Committee
<b>Accountable Officer</b>	Mrs Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

<b>Purpose of Report</b>	This report presents the Council's audited Statement of Accounts for the period 1 <sup>st</sup> April 2017 to 31 March 2018 and the auditors Audit Findings Report to enable the Committee to consider and approve the Council's accounts.
<b>Recommendation(s)</b>	<p>(a) That the Committee notes the Accounting Policies that have been applied in producing the Statement of Accounts (as set out in pages 54 to 64 of Appendix B);</p> <p>(b) that the Grant Thornton audit findings report for Cotswold District Council be noted;</p> <p>(c) that the Statement of Accounts 2017/18 be approved;</p> <p>(d) that the Chief Finance Officer and the Chairman of the Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued;</p> <p>(e) that the key balances and messages from the Statement of Accounts 2017/18 be noted.</p>
<b>Reason(s) for Recommendation(s)</b>	The Council is statutorily obliged to have prepared its draft statement of accounts by 31 <sup>st</sup> May following the end of the financial year and to have published its audited accounts by 31 <sup>st</sup> July.

<b>Ward(s) Affected</b>	None
<b>Key Decision</b>	No
<b>Recommendation to Council</b>	No

<b>Financial Implications</b>	The Council Audit and Inspection fees for the 2017/18 year (excluding grant certification work and ad hoc work) are £44,879 as detailed in note B7 (page 18) of the Statement of Accounts.
<b>Legal and Human Rights Implications</b>	None

<b>Environmental and Sustainability Implications</b>	None
<b>Human Resource Implications</b>	None
<b>Key Risks</b>	By not approving the Statement of Accounts, the Council will fail to comply with the Accounts and Audit Regulations 2015.
<b>Equalities Impact Assessment</b>	Not Required

<b>Related Decisions</b>	Council - 21 <sup>st</sup> February 2017 - Approval of 2017/18 Budget. Cabinet - 21 <sup>st</sup> June 2018 - Revenue Outturn 2017/18.
<b>Background Documents</b>	None
<b>Appendices</b>	<b>Appendix 'A'</b> - External Auditor Audit Findings Report 2017/18 (To follow) <b>Appendix 'B'</b> - Statement of Accounts 2017/18 (To follow) <b>Appendix 'C'</b> - Letter of Representation (To follow)

<b>Performance Management Follow Up</b>	(i) Implement Committee decision(s) (ii) Following approval, the Statement of Accounts will be published on the Council's website.
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## Background Information

### 1. General

1.1 The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts are prepared and signed and dated by the Chief Finance Officer no later than 31st May immediately following the end of a year.

1.2 Following approval by the Chief Finance Officer, the draft full Statement of Accounts were submitted to the Council's auditors, Grant Thornton.

1.3 The audit of the Statement of Accounts is substantially complete and the auditor has provided a draft 'Audit Findings Report' on the outcomes of the audit and the work completed. Once the final version of the report has been received it will be circulated as **Appendix 'A'**. At the time of drafting this report, there are a small number of outstanding items to be completed. This is as expected with the earlier closedown timetable which has brought forward the publication deadline from 30<sup>th</sup> September to 31<sup>st</sup> July. Work is ongoing to finalise the outstanding queries. Representatives from the external auditors (Grant Thornton) will be available at the meeting to update Members on progress. At the time of writing this report it is anticipated that the Council will receive unqualified opinions of both the Statement of Accounts audit and the Value for Money conclusion.

1.4 Once the auditor has completed the final checks on the accounts for 2017/18, the audited statement of accounts 2017/18 will be circulated to the Committee as **Appendix 'B'** to this report. The accounts will incorporate the adjustments required as a consequence of the audit. The revenue outturn position reported in June is expected to remain the same. Although changes have been made to the Balance Sheet, and some notes to the accounts, the audit has not affected the 'net worth' of the Council and the impact is outlined in paragraph 3.7 of this report. This report highlights the key balances and messages from the Accounts.

1.5 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.

## 2. Composition of the Statement of Accounts

2.1 The four core statements within the Accounts are:

(i) Comprehensive Income & Expenditure Statement

The statement shows the accounting cost of services in accordance with generally accepted accounting practices, rather than services funded purely from taxation. The 'below the line' funding & accounting entries that bring the statement back to the movement on the General Fund (reversing items such as depreciation and impairment and accounting for pension contributions) form part of the Movement in Reserves Statement below.

(ii) Movement in Reserves Statement

The statement details the movement in the year between reserves, from the surplus/deficit on provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31 March, splitting the reserves into the usable reserves (which are available to spend) and unusable reserves which represent reserve held for accounting purposes (and are not available for use).

(iii) Balance Sheet

The balance sheet depicts the assets and liabilities of the Authority, with the overall position representing the 'net worth' of the Council.

(iv) Cash Flow Statement

The statement shows the year on year change in cash and cash equivalents (i.e. on demand deposits) available to the Council, rather than simply showing the movement in the bank balance.

2.2 The 'notes to the accounts' provide additional breakdown and disclosure of balances to support the primary statements.

## 3. Accounting Policies

3.1 The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's accounting policies. The Statement of Accounts is prepared based upon these policies.

3.2 Whilst it is the Chief Finance Officer's responsibility to set the policies, it is seen as best practice for this Committee to also agree the policies. The policies have a significant influence upon the Accounts which the Committee has responsibility for approving, following completion of the external audit process.

3.3 The accounting policies are set out on pages 54 to 64 of the attached Statement of Accounts.

## 4. Revenue Outturn And Performance

4.1 The Council's approved revenue budget for 2017/18 was £10,485,093. The Council planned to make a contribution to the General Fund balance of £440,746. At the end of the year, operationally, the Council's spending exceeded its revenue budget by £276,000. However, when the Council's funding sources (Business Rates and Government Grants) were included the Council's outturn position became a surplus of £1,691,183.

4.2 The revenue outturn position was reported to Cabinet on 21<sup>st</sup> June 2018. At the meeting, it was decided that £1,680,000 of the revenue surplus be transferred to various earmarked reserves. The remaining £11,183 would remain in General Fund.

4.3 For a full breakdown of the outturn for the year, please refer to the Cabinet report, agenda item 8, 21st June 2018.

#### 5. Reconciling the Comprehensive Income and Expenditure Statement to the Revenue Outturn Position Reported to Cabinet

5.1 The Comprehensive Income & Expenditure Statement (page 8 of the Accounts) shows the accounting cost in the year of providing services. A net deficit on provision of services of £688k is reported. The figures differ from the revenue outturn report (a surplus of £11,000) as the statement is prepared based upon international accounting standards while the management accounts are prepared based upon internal reporting practices.

5.2 Note B1 "Expenditure and Funding Analysis" on page 11 of the Accounts reconciles this difference between statutory financial reporting and management reporting. The accounting transactions, which are not reported to Members as they do not impact upon council tax payer financing of the Council, are set out in the column headed "Adjs. between accounting and funding basis" and amount to £3.436 million. Once adjustments for transfers to and from earmarked reserves (£1,064k) are taken into account, the net contribution to the Council's General Fund Balance is £452k (£441k planned contribution + £11k in-year surplus).

#### 6. Balance Sheet Movements

6.1 The Balance Sheet represents the value or 'net worth' of the Council at 31st March. The key movements in the balance sheet between 31st March 2017 and 31st March 2018, and reasons for the largest changes, are summarised below:

6.2 The value of Property, Plant and Equipment has fallen by £2.9 million. This is due to changes in asset valuations undertaken by the Council's valuer.

6.3 Long term debtors have reduced by £147k reflecting the paying-off of another years financing element of vehicles which are leased to Ubico Ltd.

6.4 Short-term investments have reduced by £2.749 million from the start of the year. The change in investments represents the Council's maximising its use of available balances to generate returns for the Council. The Council also borrowed £2 million for operational purposes at the end of March 2018 instead of calling back some of its investments early.

6.5 The amount of short term debtors outstanding between years has increased by £2.2 million. £1.3m of this was money owed to the Council by Publica, representing a refund on the 17/18 contract sum of £465,000, £700,000 owing to CDC from Publica in relation to an investment transaction (see 7.2 below) and other miscellaneous Publica debtors of £165,000.

6.6 Cash and Cash Equivalents have increased by £642,000.

6.7 Short-term borrowing has reduced by £1 million. At the end of the financial year the Council used external borrowing of £2 million for cash-flow purposes, compared with £3 million at the end of 2016/17.

6.8 Short-term creditors have reduced by £0.342 million. Fluctuations in such balances are expected, due to the size of transactions with central government departments and local authorities. These balances are heavily influenced by the accounting arrangements for the local business rate retention scheme. Short term creditors relating to section 106 balances have increased by £0.465 million due to the receipt of balances in relation to Tetbury, Fairford and Northleach.

6.9 The valuation of the pension fund liabilities, which is shown under "Other Long Term Liabilities", has decreased by £2.06 million. This is primarily a result of changes in actuarial assumptions, and a positive return on assets in the pension fund.

6.10 The triennial pension fund valuation was completed in March 2016 and establishes the authority's pension fund contributions for the next three years (2017/18 to 2019/20). The annual valuation for accounting purposes will not therefore impact upon the Councils physical pension fund contributions during 2018/19 or 2019/20.

6.11 The Council's 'earmarked reserves' represent resources that have been set-aside by the Council for specific projects or money to provide specific schemes in the future. Overall contributions to earmarked reserves amounted to £3.73 million whilst expenditure amounted to £1.67 million, the value of earmarked reserves therefore increased by £2.06m. The majority of this (£1.68m) was transferred to earmarked reserves, from General Fund, to fund a number of measures supported by Cabinet upon receipt of the 17/18 revenue outturn report.

6.12 The 'general fund balance' has increased by £451,000 from 1st April to 31st March. The movement represents the budgeted transfer to the General Fund of £441k and the under-spend in the year (after transfers to reserves mentioned in 6.11 above) of £11k. The general fund balance represents the unallocated revenue reserves of the Council. At 31st March the balance stood at £4,831,975.

6.13 The 'Net Assets' or 'Net Worth' of the Council has decreased by £383,158 during the year to £48,317,143 (less than 1%). The Council remains financially secure and sustainable for the foreseeable future.

## 7. Summary of Changes resulting from the Audit

7.1 The Audit identified one 'misstatement' that required correction. A small number of misclassifications and additional disclosure changes were also required. The changes resulting from the Audit were as follows:

### Adjusted misstatement

7.2 Money owed but not received from Publica at 31 March 2018 was incorrectly classified as cash rather than a short term debtor.

7.3 There were no 'unadjusted' misstatements.

### Misclassification and disclosure changes

7.4 A small number of other misclassification and disclosure changes have been made to the accounts. These changes represent less significant amendments, including changes to notes where expanded explanation has been necessary and other minor presentational adjustments to improve the quality of disclosures in the accounts.

7.5 A list of misclassification and disclosure changes are set out on pages 30 and 31 of the Audit Findings Report at **Appendix 'A'**.

## 8. The Letter of Representation

8.1 To complete the Audit process the Council is required to submit a letter of representation to Grant Thornton to complement the financial statements and to outline the areas considered in stating that the financial statements give a true and fair view on the accounts, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law. At the time of writing this report, the Council is still waiting for the draft letter from Grant Thornton. The letter will be circulated to the Committee as soon as possible and will be published as **Appendix 'C'** to this report.

8.2 The Chairman of the Audit Committee and the Chief Finance Officer are asked to sign the Letter of Representation, under Recommendation (c) to this report. Grant Thornton is not able to issue their opinion on the accounts until the letter of representation has been received.

9. Early Closure of the Accounts

This is the first year in which Local Authorities are required to approve and publish their accounts by 31<sup>st</sup> May (draft) and 31<sup>st</sup> July (final).

10. Approval and Publication of the Statement of Accounts

10.1 The Audit Committee is asked to formally approve the attached Statement of Accounts on behalf of the Council and to approve the signing of the Letter of Representation.

10.2 Once approved, a copy of the Audited Statement of Accounts will be published on the Council's website.

(END)